



Michigan Municipal Electric Association

809 Centennial Way • Lansing, Michigan 48917-9277
Phone: (517) 323-8346 • Fax: (517) 323-8373 • e-mail: mmea@mpower.org

Michigan Municipal Electric Association Testimony Before the House Committee on Energy & Technology

November 7, 2007

Re: House Bill 5384

Chairman Accavitti and Members of the Committee:

Good morning! My name is Jim Weeks, Executive Director for the Michigan Municipal Electric Association (MMEA). On behalf of our 39 members statewide, I would like to thank you Chairman Accavitti, on behalf of our membership, for the opportunity to testify in support of House Bill 5384.

I would also like to thank Minority Vice-Chair, Representative Mike Nofs for introducing this bill, and thank those of you that demonstrated your support to this bill through being a cosponsor.

MMEA is Michigan's trade association for municipally owned electric utilities. As units of local government, municipal electric systems are non-profit, community owned and operated, and regulated directly by the city and customers they serve.

In 1976 the Michigan Legislature passed Public Act 448 to allow municipal governments to participate together, or through joint action agencies, in projects to meet the present and future electricity needs of their customers. The term "power utility" was used in the legislation at the time to describe entities with which a municipal utility may jointly participate in a project. While this was an appropriate definition more than 30 years ago, today it has the impact of limiting municipal joint collaboration to political subdivisions (Michigan or otherwise), governmental agencies (including federal or Canadian), and regulated utilities.

With the State of Michigan short of baseload capacity, it seems reasonable to allow municipal utilities to examine all possibilities when it comes to selecting a partner for new plant construction. LS Power, Wolverine Power Cooperative, Consumers Energy, and out-of-state entities have already made public announcements regarding the construction of baseload facilities. Some of these entities have already begun making substantial investment towards this end.

The utility industry has changed substantially since 1976, when all owners of generation were regulated. Many municipalities did in fact take advantage of PA 448, and today these municipalities, through their membership in a joint action agency, own part of the Detroit Edison Belle River and Consumers Energy J.H. Campbell plants.

Baraga
Bay City
Charlevoix
Chelsea
Clinton
Coldwater
Croswell
Crystal Falls
Detroit
Dowagiac
Eaton Rapids
Escanaba
Gladstone
Grand Haven
Harbor Springs
Hart
Hillsdale
Holland
LAnse
Lowell
Marquette
Marshall
Negaunee
Newberry
Niles
Norway
Paw Paw
Petoskey
Portland
St. Louis
Sebewaing
South Haven
Stephenson
Sturgis
Traverse City
Union City
Wyandotte
Zeeland

This issue becomes even more important when considering that the 21st Century Energy Plan, and several pieces of legislation that have been introduced to include municipal utilities within a mandatory renewable portfolio standard (RPS). Municipals will need the flexibility to meet this obligation through ownership in clean renewable generation sources with entities other than regulated utilities. For instance, regulated entities may decide to meet their RPS obligations through long-term contracts, and may elect not to build.

We believe that now is an appropriate time for the Michigan Legislature to recognize the significant change that has taken place in the electric utility industry since enactment of PA 448. No longer is plant construction limited to regulated utilities. Federal law has changed to allow exempt wholesale generators and independent power producers to construct plants. Order 888 adopted by the Federal Energy Regulatory Commission allows these unregulated entities non-discriminatory access to the transmission grid. And today, the Midwest Independent System Operator operates a wholesale energy market.

In the future, municipal utilities may continue to partner with Detroit Edison or Consumers Energy in the construction of new baseload generation, however, allowing municipal utilities to choose between multiple generation options is one fair way to create a competitive process for the building of baseload and renewable generation to meet Michigan's electric demand now, and in the future.

Thank you again for the opportunity to appear before you. We would be pleased to respond to any questions.